



## **H.R. 4299 – Terrorism Risk Insurance Program Reauthorization Act of 2007**

### **EXECUTIVE SUMMARY**

The House is expected to consider H.R. 4299 on December 12, 2007. H.R. 4299 contains several provisions from the Terrorism Risk Insurance Revision and Extension Act (H.R. 2761) which passed the House on September 19, 2007, and by the Senate as amended on November 16, 2007.

H.R. 4299 provides for a seven year extension of the TRIA program and expands the program to include domestic acts of terrorism. In addition, it extends TRIA coverage to the life insurance industry. The bill also lowers the trigger from \$100 million to \$50 million.

On December 11, 2007, the Administration released a Statement of Administration policy for H.R. 2761 that states “the Administration has set forth three key elements for an acceptable extension of TRIA: (1) the Program should be temporary and short-term; (2) there should be no expansion of the Program; and (3) private sector retentions should be increased.” Should legislation be presented to the President that does not meet these three elements, “his senior advisors would recommend that he veto the bill.”

### **FLOOR SITUATION**

H.R. 4299 is being considered on the floor under a closed rule. The rule:

- Provides one hour of debate in the House equally divided and controlled by the chairman and ranking minority member of the Committee on Financial Services.
- Waives all points of order against consideration of the bill except those arising under clause 9 or 10 of rule XXI.
- Provides that the bill shall be considered as read.
- Waives all points of order against provisions of the bill. This waiver does not affect the point of order available under clause 9 of rule XXI (regarding earmark disclosure).
- Provides one motion to recommit with or without instructions.

- Provides that during consideration of H.R. 4299, notwithstanding the operation of the previous question, the Chair may postpone further consideration to a time designated by the Speaker.

Representative Barney Frank (D-MA) introduced the Terrorism Risk Insurance Program Reauthorization Act (H.R. 4299) on December 6, 2007.

H.R. 4299 is expected to be considered on the floor on December 12, 2007.

## **BACKGROUND**

After the events of September 11, 2001, many insurers removed terrorism risk coverage from property insurance policies they offered businesses. This left those businesses unprotected in the event of another terrorist attack.

In order to ensure these businesses could acquire terrorism risk coverage, Congress passed the Terrorism Risk Insurance Act of 2002 (TRIA, 107-297). This bill provided a temporary three-year program that required insurers to offer terrorism insurance to commercial policyholders, preserved state regulation of this type of insurance, and directed the Secretary of the Treasury to administer a program for sharing terrorism losses. After certain conditions were met, the TRIA program covered 90 percent of insurer losses up to \$100 billion each year.

In June 2005, the Department of the Treasury released a study that found that although the TRIA program increased the availability of terrorism insurance, it also inhibited the creation of private market alternatives to the Federal backstop.

In response to the study, Congress passed the Terrorism Risk Insurance Extension Act (P.L. 109-144). This legislation extended the program through December 31, 2007, and increased the amount of risk that insurers were exposed to by setting a higher trigger, higher deductibles, greater industry loss sharing, and exclusion of certain lines of insurance.

H.R. 4299 contains provisions from legislation that has previously passed the House, the Terrorism Risk Insurance Revision and Extension Act (H.R. 2761) and provisions from the Senate- approved amendment to H.R. 2761.

*\*Note: The House- passed the Terrorism Risk Insurance Revision and Extension Act (H.R. 2761) by a vote of 312-110 ([Roll no. 884](#)) on September 19, 2007. On November 16, 2007, the Senate took up H.R. 2761 and struck all of the original House language and substituted it with S. 2285, a Senate Committee on Banking, Housing and Urban Affairs approved TRIA extension bill. The Senate passed H.R. 2761 with the amendment by voice vote on November 16, 2007. ([Senate Weekly Update for Nov. 12-16](#))*

Authorization for TRIA is set to expire December 31, 2007.

## **SUMMARY**

H.R. 4299 provides for a seven year extension of the Terrorism Risk Insurance Act (TRIA).

It also extends TRIA coverage to domestic acts of terrorism.

*\*Note: The current program only covers foreign terrorist acts that cause certain U.S. commercial property/casualty insurance loss.*

The bill requires the Comptroller General of the United States to conduct a study and issue a report to Congress on insurance for nuclear, biological, chemical, and radiological terrorist events and a study on the availability and affordability of Terrorism Risk Insurance in specific markets.

The Senate amendment also includes a “pay-for” provision by increasing the mandatory payback and accelerating the annual payback of surcharge from 3 percent of premiums to a higher percentage depending on when the event occurs in relation to Congressional Budget Office time frames.

H.R. 4299 extends TRIA coverage to the group life insurance industry.

In addition, it requires life insurance issuers to offer coverage regardless of lawful foreign travel by the person insured and that the premium they charge is based on a good faith actuarial analysis.

*\*Note: The bill does include exceptions for this requirement, which include if the person insured is travelling to a country with an ongoing military conflict or a country that has been issued a highest level alert or warning by the Centers for Disease Control (CDC) or the Department of Health and Human Services.*

The legislation lowers the trigger for the Federal backstop from \$100 million in covered losses to \$50 million in covered losses.

H.R. 4299 also includes a “large event reset” provision. This provision would lower the deductible by 5 percent from the previous year for insurers that sustain losses resulting from a certified act of terrorism that exceed \$1 billion.

*\*Note: The current deductible is 20 percent.*

## **COST**

On November 15, 2007, the Congressional Budget Office (CBO) responded to a letter from Senator Chris Dodd (D-CT), Chairman of the Senate Banking and Housing and Urban Affairs Committee, requesting a cost estimate for the “pay-for” amendment to S. 2285, a Senate Committee on Banking, Housing and Urban Development approved TRIA extension bill.

CBO cost estimate states that “considering both the direct spending and revenue effects, CBO estimates that enacting the bill with the proposed amendment would reduce budget deficits or increase surpluses by less than \$50 million over the 2008-2012 and 2008-2017 periods.” ([CBO Letter to Chairman Dodd](#))

*\*Note: The Senate took up H.R. 2761 and struck all of the original House language and substituted it with the text of S. 2285, a Senate Committee on Banking, Housing and Urban Development approved TRIA extension bill. H.R. 4299 retains the Senate pay-for provision.*

#### **STAFF CONTACT**

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